



AR25

North Sea

General American Oil Company of Texas
36th Annual Report
Year Ended June 30, 1972



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General American Oil Company of Texas

36th Annual Report
Year Ended June 30, 1972

FINANCIAL HIGHLIGHTS

	Year Ended June 30, 1972	Year Ended June 30, 1971
Revenues	\$ 56,101,000	\$ 55,700,000
Income before exploration charges and income tax	\$ 28,214,000	\$ 27,314,000
Net income:		
Before extraordinary items	\$ 15,434,000	\$ 8,534,000
Extraordinary items — net of tax	384,000	3,582,000
Net income	\$ 15,818,000	\$ 12,116,000
Per common share (1):		
Income before exploration charges and income tax	\$ 4.75	\$ 4.59
Exploration charges	(1.62)	(2.78)
Income tax	(.53)	(.37)
Income before extraordinary items	\$ 2.60	\$ 1.44
Extraordinary items	.06	.60
Net income	\$ 2.66	\$ 2.04
Cash flow (2)	\$ 35,779,000	\$ 37,893,000
Cash flow per common share (1) (2)	\$ 6.02	\$ 6.37
Common stockholders' equity	\$220,671,000	\$208,458,000
Dividends paid per common shares:		
Cash	\$.60	\$.60
Stock	3%	3%
Capital expenditures:		
Drilling and related equipment costs	\$ 15,145,000	\$ 18,016,000
Undeveloped leases and rentals	\$ 6,385,000	\$ 11,641,000
Other	\$ 877,000	\$ 787,000

OPERATING HIGHLIGHTS

	Year Ended June 30, 1972	Year Ended June 30, 1971
Crude oil and condensate — net barrels	10,840,000	11,096,000
Natural gas sales — net MCF	56,908,000	66,675,000
Wells drilled — net	47	70
Wells operated — gross	1,617	1,682
Wells owned — net	1,699	1,745

(1) Based on average number of shares outstanding, adjusted for stock issued as dividends: 1972—5,945,656; 1971—5,945,294 shares.

(2) Net income before extraordinary items, increased by non-cash expenses, expensed exploration charges and decreased by deferred Federal income taxes.

CONTENTS

Officers and Directors	2
President's Letter	3
Offshore Operations	4
Domestic Operations	7
Canadian Operations	8
Reserves	8
Personnel	8
Stockton, Whatley, Davin & Company	9
Premier Petrochemical Company	10
Financial Review	10
Financial Statements	12
Ten-Year Summary	18

Officers and Directors

General American Oil Company of Texas

OFFICERS

ALGUR H. MEADOWS, *Chairman of the Board and Executive Committee*
WILLIAM P. BARNES, *President*
ROBERT M. SWESNIK, *Vice Chairman of the Board*
JAMES W. GOSS, *Executive Vice President*
FRED C. HIGGINBOTHAM, JR., *Senior Vice President and Treasurer*
NORMAN W. KROUSKOP, *Senior Vice President, Operations*
DONALD C. APELAND, *Vice President, Land*
J. DONALD BROWN, *Vice President, Purchasing*
JOE M. HAAS, *Vice President, Engineering*
JERE G. HAYES, *Vice President, Secretary and General Counsel*
CHARLES M. KENNEDY, *Vice President and Controller*
JOHN T. REYNOLDS, *Vice President, Production*
GEORGE RHODUS, *Vice President and Assistant to the President*
MALCOLM E. WILSON, JR., *Vice President, Geology*
R. O. CAMPBELL, *Assistant Vice President, Production*
JOHN C. COOPER, *Assistant Vice President, Land, and Assistant Secretary*
HARRY FRANK, *Assistant Vice President, Geology*
H. R. PARKISON, *Assistant Vice President, Engineering*
MARTIN W. VERNON, *Assistant Vice President, Geology*
BRYAN T. CRENSHAW, *Assistant Treasurer and Assistant Secretary*

EXECUTIVE COMMITTEE

ALGUR H. MEADOWS, *Chairman*
WILLIAM P. BARNES
JAMES W. GOSS
FRED C. HIGGINBOTHAM, JR.
NORMAN W. KROUSKOP
ROBERT M. SWESNIK

DIRECTORS

ALGUR H. MEADOWS, *Chairman, Dallas, Texas*
RUSHTON L. ARDREY, *Dallas, Texas*
WILLIAM P. BARNES, *Dallas, Texas*
PAUL A. CONLEY, *New York, New York*
FREDERICK H. CONNALLY, *Dallas, Texas*
J. J. DANIEL, *Jacksonville, Florida*
JOSEPH W. DAVIN, *Jacksonville, Florida*
GEORGE A. GEAR, *Jacksonville, Florida*
JAMES W. GOSS, *Dallas, Texas*
FRED C. HIGGINBOTHAM, JR., *Dallas, Texas*
NORMAN W. KROUSKOP, *Dallas, Texas*
CHARLES W. LEWIS, *New York, New York*
PAUL W. MATTHEWS, *Toronto, Canada*
FREDERICK M. MAYER, *Dallas, Texas*
LEWIS P. O'NEILL, *Dallas, Texas*
GORDON SIMPSON, *Dallas, Texas*
JOHN M. STEPHENS, *Tyler, Texas*
JAMES R. STOCKTON, JR., *Jacksonville, Florida*
ROBERT M. SWESNIK, *Dallas, Texas*
JIM M. VAUGHN, *Tyler, Texas*
BROWN L. WHATLEY, *Miami, Florida*



President's Letter

TO THE STOCKHOLDERS:

The cover of this report depicting the North Sea is symbolic of the Company's beginning exploration in one of the prime oil and gas areas of the world. While oil production operations have barely begun, the discovery of three fields with estimated reserves of a billion or more barrels of oil has already been announced. In addition several oil discoveries have been recently announced, the magnitude of which remains unknown pending further drilling. A giant gas field was also discovered last year in the far northern portion of the North Sea Basin, many miles from the gas producing area in the southern part of the Basin. All of this plus last year's North Sea drilling success ratio of better than one out of three creates an exciting exploration environment despite extremely unfavorable operating conditions and staggering capital requirements for development costs in the event of exploration success. GAO was successful in acquiring an interest in the United Kingdom sector of the North Sea of 115,785 net lease acres. Almost all of this acreage lies in favorable trends and on the basis of seismic interpretation several features already appear worthy of drilling. This is significant because even the unusually high North Sea drilling success ratio mentioned above presents twice as many failures as successes and the importance of having a spread of exploration opportunities cannot be understated.

The offshore areas of the United States and politically stable countries of the world remain the primary areas of exploratory interest to the Company. Several foreign areas are being considered and Company exploration personnel are actively preparing for scheduled Federal offshore lease sales. Western Canada also remains an area of primary exploration interest and efforts to build a stronger lease acreage position there are beginning to improve the Company's competitive position.

Net income increased from \$12,116,000 or \$2.04 per share in 1971 to \$15,818,000 or \$2.66 per share in 1972 primarily as a result of lower exploration charges. Premier Petrochemical Company, while not yet profitable improved its performance substantially and Stockton, Whatley, Davin & Company set a new all-time high in profitability as well as achieving its goal of a One Billion Dollar mortgage portfolio. The strength of the Company's Balance Sheet improved considerably with only a relatively modest amount of debt marring the debt free status of the two prior years.

All General American officers and employees are dedicated to meeting successfully the challenges faced by the Company and the oil and gas industry generally, and optimistically look forward to the opportunities of the coming year.

Yours very truly,


President

September 8, 1972
Dallas, Texas

Offshore Operations

NORTH SEA

General American's newest region of exploration is the North Sea. With the December, 1971 acquisition of Excalibur Oil Corporation and its subsidiary, Excalibur Oil Company (UK) Limited, the Company acquired a 25% interest in a petroleum production license covering Blocks 28/13, 28/14, 28/24, 28/29, 29/15 and 30/30 in the United Kingdom Sector of the North Sea, comprising approximately 340,160 acres. The 25% interest in the license may be reduced to 20% in the event of the exercise of an outstanding option in favor of the National Coal Board (Exploration) Limited.

On Block 30/24 adjoining Block 30/30 an offset operator has announced a discovery well located approximately 1.3 miles northwest of the northwest corner of Block 30/30. The same operator has now drilled a confirmation well 2 1/4 miles northwest of the discovery well and issued a press release stating that: "Production tests through perforations in two intervals flowed crude in the mid-30 degree gravity range at restricted rates of 3,000 and 3,500 barrels per day. These tests indicate the upper interval could produce at a rate in excess of 12,000 barrels daily and the lower interval at more than 16,000 barrels daily."

The operator has released no other information concerning these tests but it would appear from the foregoing that a prolific oil discovery has been made.

The Company plans to commence drilling operations on Block 30/30 in early October when it is expected that Blue Water 3, a semi-submersible drilling vessel, will become available.

In March, 1972, the "Sea Search" group, in which GAO has a 10% participation, was awarded a production license covering four blocks in the United Kingdom Sector of the North Sea also. These blocks are designated 15/8, 16/26, 28/5 and 29/25 and comprise 219,905 acres. A comprehensive seismic program is now being conducted on these blocks. The operator has recently contracted for the use of a semi-submersible rig which is presently under construction. It is anticipated that the first well will be drilled in late 1973.

As a participant in the "Sea Search" group, the Company, through subsidiaries, obtained a 5% interest in three licenses covering a total of four blocks awarded to Chieftain Exploration (U.K.) Limited as a result of its being the highest bidder for these blocks at a sale held by the Department of Trade and Industry prior to the general awarding of licenses in 1972. One of these blocks, 21/14, in the vicinity of the Forties field, has been farmed-out to BP Petroleum Development Limited which has notified Chieftain that it has elected to drill a well on the northern half of the block. If BP earns an interest by drilling the agreed well, the Company's interest in the northern half of the block will be reduced to 2 1/2 %.

A group of eight companies, in which GAO has a 25% participation through a wholly-owned subsidiary, made application in May, 1972 for blocks in the Netherlands Sector of the North Sea. The awarding of these blocks is not expected until this fall.

LICENSE AREAS

Block Number	Company Interest	Gross Acres
15/8	10%	53,126
16/26	10%	54,115
21/7	5%	54,610
21/14	5%*	54,860
28/5	10%	55,869
28/13	25%**	56,364
28/14	25%**	56,364
28/24	25%**	56,858
28/29	25%**	57,105
29/15	25%**	56,364
29/25	10%	56,858
30/30	25%**	57,105
48/12	5%	60,705
48/13	5%	32,175
		<u>762,478</u>

*Under the terms of a farmout, this interest may be reduced to 2 1/2 %.

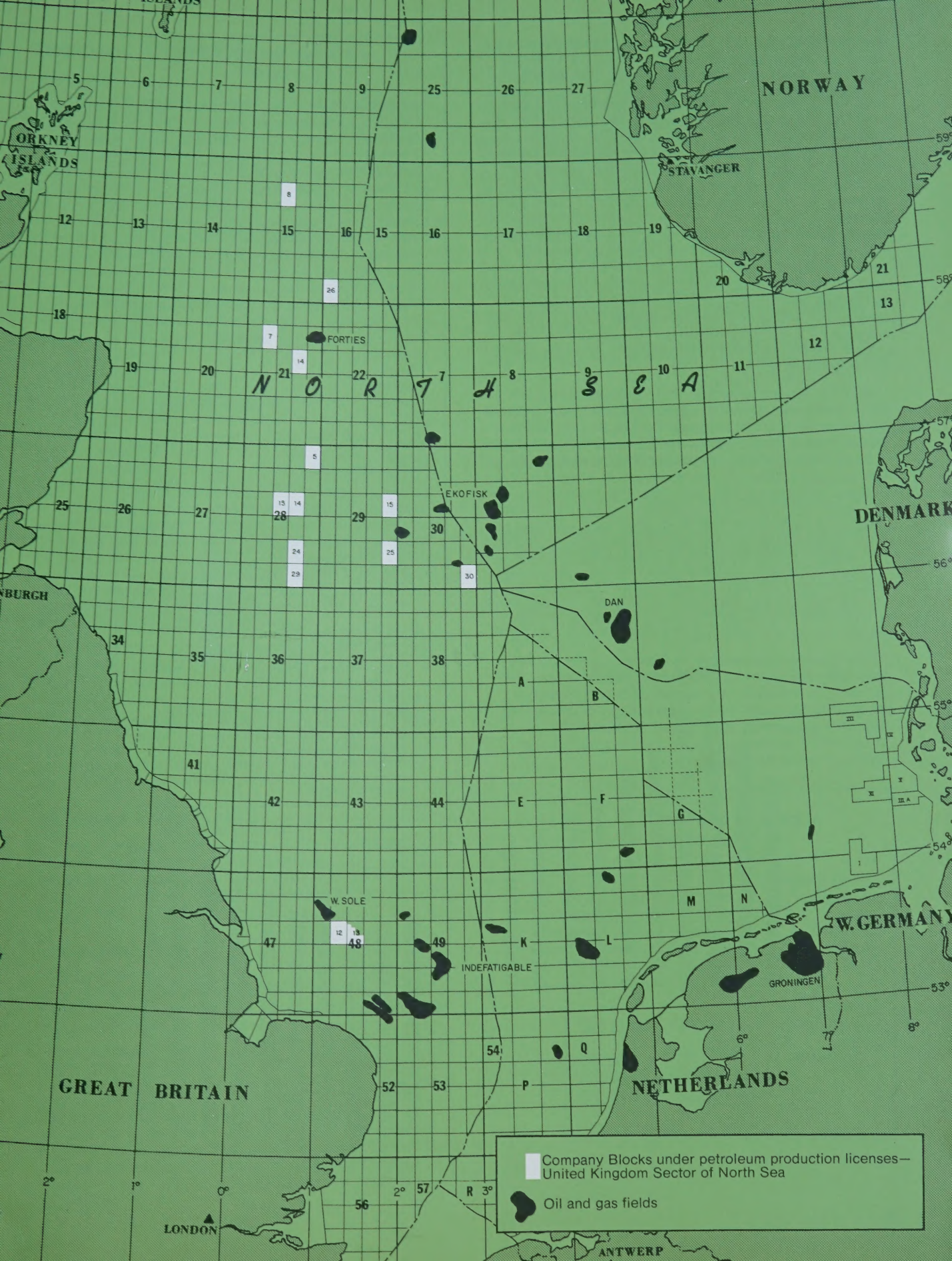
**This 25% interest in the license may be reduced to 20% in the event of the exercise of an outstanding option in favor of the National Coal Board (Exploration) Limited.

LOUISIANA

Nineteen exploratory wells were drilled on the blocks acquired as a result of the 1970 Western Offshore Louisiana Sale. Since the close of the fiscal year, another well has been drilled on Block 325, which was dry and abandoned. Hydrocarbons were encountered on Vermillion 325 and 335, as well as on West Cameron 504, but the overall results have been disappointing. Even though the accumulations found were sizeable, the installation of production and development facilities may not be justified at the prevailing gas prices. Untested prospects remain on many of these blocks, and it is hoped that further drilling will prove additional reserves so that developing and marketing the gas already found will be feasible.

As mentioned in last year's report, the exploration of nine of these blocks was encouraged by an agreement with a gas transmission company that provided advances for the group of \$13,000,000, of which the Company is entitled to receive \$3,295,890. In accordance with this agreement, eighteen of the twenty wells have now been drilled. Repayment of these funds is to be made, without interest, out of future production revenues over a five-year period. If commercial production is not discovered, 50% of the advances will be repaid over 5 years, beginning after the completion of the last exploratory test.

GAO has joined with 32 other operators in the formation of "Clean Gulf Associates," a non-profit organization designed to contain and clean-up oil spills in the entire Gulf of Mexico. "Clean Gulf" will make available at strategic locations all necessary equipment, which will include beach and marsh protection booms, skimmers, pumps, barges and storage tanks, as well as wildlife rehabilitation stations. This equipment will be maintained by trained personnel



who can reach the site of a spill within twelve hours. The initial expenditure for the group will be \$500,000 and the ultimate cost will approximate \$3,000,000.

Offshore exploration planning has been rendered most difficult in the last few years because of the irregularity and frequent postponements of sales of oil and gas leases in the offshore areas in the Federal domain. This has been true despite the operational record of the industry which, while not perfect, can certainly be termed creditable. Apparently there has been some realization of this fact by the environmental groups that forced cancellation of the Eastern Offshore Sale originally scheduled last December because these groups have announced that they will not oppose the holding of this sale which has been re-scheduled for September 12, 1972. Seventy-eight tracts comprising 366,440 acres will be offered. GAO is a member of a bidding group for this sale of which ODECO is the operator. The Company's participation in the group is 25%.

ODECO is also operator for another exploration group which is preparing for another Western Offshore Louisiana Sale tentatively set for December, 1972. Six hundred thousand acres in 135 tracts are scheduled to be offered. General American's participation in this group is 30%.

The Company has also joined exploration groups currently conducting extensive geological and geophysical studies in preparation for Outer Continental Shelf Lease Sales affecting acreage offshore from Texas, Mississippi, Alabama and Florida. The Texas sale has been tentatively scheduled for May of 1973, and the Mississippi-Alabama-Florida sale for the fall of 1973. GAO has a 20% interest in each of these groups which are operated by TransOcean Oil, Inc.

The Company's interest in the foregoing groups does not necessarily indicate the interest which the Company will own in any particular tract it may be awarded in as much as the percentage of ownership may vary according to different percentages of participation agreed upon by group members in making a particular bid.

SALES OF GAS—MCF

Year Ended June 30

	1972	1971
<i>United States</i>		
Louisiana	46,643,000	56,387,000
Texas	3,873,000	4,539,000
New Mexico . . .	2,630,000	2,387,000
Oklahoma	894,000	806,000
Other States . . .	756,000	792,000
	<u>54,796,000</u>	<u>64,911,000</u>
<i>Canada</i>		
Saskatchewan	1,588,000	1,486,000
British Columbia . .	524,000	278,000
	<u>2,112,000</u>	<u>1,764,000</u>
	<u>56,908,000</u>	<u>66,675,000</u>

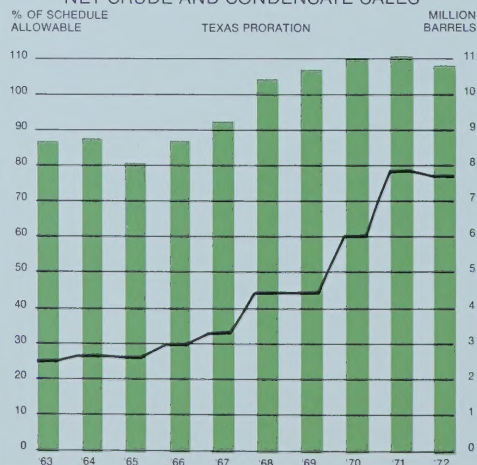
NET ACRES UNDER LEASE

June 30, 1972

	Producing	Non-Producing
<i>United States</i>		
Alabama	—	5,878
Alaska (1)	—	2,108
Arkansas	—	1,659
California	2,853	161
Colorado	320	—
Illinois	622	—
Kansas	6,568	—
Louisiana—Onshore . .	27,578	28,875
Louisiana—Offshore . .	9,061	15,780
Mississippi	142	7,375
Montana	—	141,747
New Mexico (2)	14,915	52,130
North Dakota	160	75,502
Oklahoma	8,122	10,722
Texas	68,761	61,044
Utah	—	19,562
Wyoming	99	26,048
	<u>139,201</u>	<u>448,591</u>
<i>Canada</i>		
Alberta (3)	936	126,696
British Columbia (4)	14,769	148,718
Saskatchewan	13,956	8,960
Northwest Territories .	419	2,142
	<u>30,080</u>	<u>286,516</u>
<i>North Sea</i>		
United Kingdom Sector (5)	—	117,156
	<u>169,281</u>	<u>852,263</u>

- (1) Represents a 33⅓% net profits interest in 6,322 acres.
- (2) Includes 49,770 acres in which the Company owns oil rights (which are held by gas production) but owns only a net profits interest in gas production.
- (3) Includes Permit as well as lease acres.
- (4) Includes 66,843 acres which represent net profit overriding royalty interests under 290,594 gross acres.
- (5) Subject to possible reduction of 18,379 net acres in the event of the exercise of outstanding options.

NET CRUDE AND CONDENSATE SALES



Domestic Operations

DRILLING

During the year, sixty-three wells were drilled — 32 by GAO and 31 by others in which the Company participated. (This compares with 52 wells drilled by GAO and 97 drilled by others for a total of 149 wells in 1971). General American's interest amounted to 40 net wells, of which 25 were productive — 24 of oil, 1 of gas and 15 were dry holes. Deeper wildcat drilling caused the average depth per well to increase from 6,447 feet in 1971 to 7,200 feet in 1972. The actual footage drilled was 453,601, down from the corresponding record-year of 960,554. In addition to the Company's drilling program, 48 productive oil and gas wells were drilled by others on leases in which GAO owns minerals, royalties, overriding royalties or net profit interests.

PRODUCTION

At June 30, 1972, the Company owned interests in 7,104 oil and 1,222 gas wells, equivalent to 1,330 net oil and 165 net gas wells. This compares with a total of 1,540 at June 30, 1971. During the year, General American operated 1,420 wells, down from 1,485 for the corresponding period.

To provide a more meaningful comparison of production, volumes have been shown separately for crude oil and condensate. (See the chart and table on page 10.) For fiscal 1972, net domestic crude oil sales totaled 7,693,000 barrels, down 3.3% from 1971 sales of 7,943,000. Scheduled well allowables in Texas were slightly lower than last year's — 76.5% for 1972 and 78.71% for 1971.

Net gas sales amounted to 54,796,000 MCF for fiscal 1972, down 15.6% from 1971's production of 64,911,000. As a result of lower gas volumes, condensate sales declined to 1,437,000 barrels, off 16.5% from the comparable period. Gas deliveries continued to be made at the maximum efficient rate of production and there are no substantial gas properties in the United States from which gas is not now being marketed.

SECONDARY RECOVERY

The Company had interests in 78 secondary recovery operations, 23 Company-operated and 55 operated by others. For fiscal 1972, net domestic sales from these projects were 2,284,000 barrels compared to 2,186,000 in 1971.

LOUISIANA

Drilling on the North Crowley Frio-12 sand reservoir, Acadia Parish, Louisiana, has been completed with the drilling of the Habetz #2, which tested on potential 408 barrels of oil per day in March.

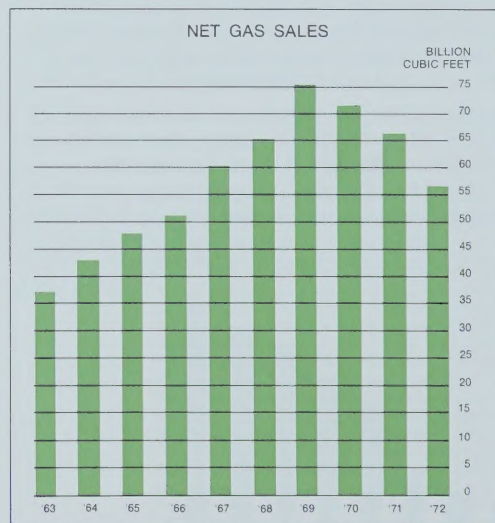
In Assumption Parish, General American participated in the drilling of an extension well to the Grand Bayou multiple sand field. The P. Labarre #1 was completed from a Planulina sand and tested 5,782,000 cubic feet of gas and 366 barrels of condensate on the 24-hour State potential. GAO has an 18.75% interest, which is subject to revision based on the settlement of a unitization hearing. Pending further geological studies, there may be one additional location to be drilled.

NEW MEXICO

Exploration of the shallow zones in the Grayburg-Jackson field in Eddy County continued throughout the year with 25 new producing wells drilled and some 23 old wells successfully deepened or re-stimulated utilizing improved techniques. Company engineers estimated this project, including the 22 wells drilled the previous year, has added approximately 2,100,000 net barrels to GAO's reserves.

OKLAHOMA

In the Anadarko Basin of western Oklahoma, the Company owns approximately 21,500 net acres in 12 separate prospect areas. The Viersen Unit #1 well, Roger Mills County, was drilled to a total depth of 19,445 feet, and after testing zones in both the Hunton and Mississippian which were unproductive, was completed for 4,808,000 cubic feet of gas per day in the Morrow "A" sand through perforations at 14,576 to 14,586 feet. This well is presently shut-in pending negotiation of a gas contract. General American owns a 70% interest in the 9,400-acre lease block on which the Viersen Unit #1 well was drilled. An offset well drilled by another operator west of the Company's lease block ran structurally low to the Viersen Unit #1 well and was unsuccessful in establishing production in the Morrow and Hunton. However, this well appears to have found the middle Marmaton formation productive of gas and is now testing. Another well offsetting the Company's lease block to the south is now drilling with the Hunton formation at approximately 20,500 feet as its objective. Further exploratory tests by the Company will be deferred pending completion of these wells.



Canadian Operations

Canadian operations, primarily oil and gas production and exploration, are conducted by General American Oils, Ltd., a wholly-owned subsidiary headquartered in Calgary. During the year, the Company drilled 5 wells and participated in 11 drilled by others. The results were 3 oil and gas wells and 4 dry holes to GAO's net interest.

In West Central Alberta, on a 1,280-acre tract in the Nosehill area, the Company had a 50% participation in a 13,887-foot gas discovery. This well was tested for 9,800,000 cubic feet of gas per day with a flowing tubing pressure of 724 pounds per square-inch gauge from the Leduc Reef Limestone. Results from testing were inconclusive and information to be obtained from reservoir performance when the well is placed on production will be necessary to determine the economic significance of this discovery. It is considered likely that operations by others during the next drilling season will add to geologic knowledge of the Nosehill structure which has already indicated further exploration potential.

At year-end, GAO owned interests in 681 oil and 64 gas wells, the equivalent of 187 oil and 17 net gas wells.

The Company produced 1,710,000 net barrels of oil during fiscal 1972, compared to 1,430,000 in 1971. As previously reported, the prior year's crude volumes at Coleville were curtailed for 4 months in 1970 due to the rebuilding of the production facilities which had been seriously damaged by fire.

During the 1972 fiscal year, the Company acquired an interest in 65,687 net lease acres. As a result of the conversion of reservations and permits to lease and the surrender of certain lands no longer considered prospective, 40,433 net lease acres were relinquished. At year-end, the Company recorded an increase in acreage held of 25,254 net lease acres.

RESERVES

Company engineers estimated that as of June 30, 1972, proven net reserves were 130.4 million barrels of oil, condensate and natural gas liquids and 806.8 billion cubic feet of natural and casinghead gas. Included in these reserves were 500,000 barrels of oil and 6.8 billion cubic feet of gas necessary to liquidate both principal and interest of production payments still outstanding.

Reserves recoverable by secondary recovery methods were not included in these estimates, unless active operations have been started or pilot floods have been successful in the same or similar fields in the area.

Personnel

REMUNERATION

The average number of employees in the various operations and their direct compensation was as follows:

	Number	Compensation
Oil and gas operations	410	\$ 3,987,000
SWD, excluding Clubs	507	4,692,000
Ponte Vedra Club	357	1,422,000
Deerwood Club	63	351,000
Premier Petrochemical Co.	44	533,000
Meadows Building	38	174,000
	<u>1,419</u>	<u>\$11,159,000</u>

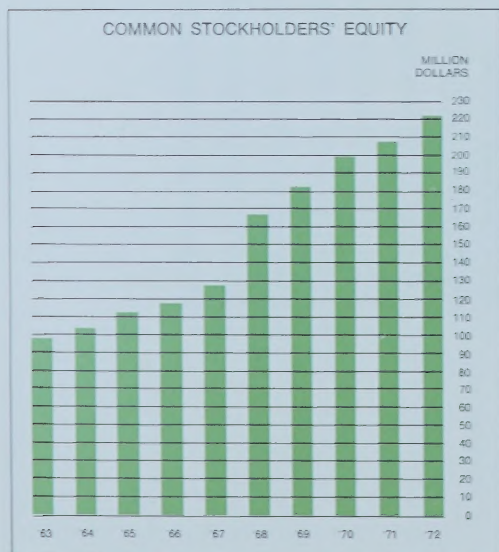
RETIREMENT PLAN

The Retirement Plan is self-administered on an actuarial basis, and the cost was \$555,000 for the current year. The value of accrued benefits, both vested and non-vested is fully funded. The Meadows Building, which houses the general offices of the Company, is one of the major assets of the Trust, which also has investments in oil royalties, real estate and securities.

In lieu of an actuarial retirement plan, SWD has a profit-sharing plan — 10% of net profits before income taxes. SWD's contribution to its profit-sharing plan was \$533,000 for the current year.

STOCK BONUS PLAN

The Company contributed an amount equal to 10% of direct compensation of participating employees into the Stock Bonus Plan. GAO shares were purchased by the Plan in the open market. At June 30, 1972, the Plan owned 95,511 shares, purchased at an aggregate cost of \$2,778,000, or an average of \$29.08 per share.



Stockton, Whatley, Davin & Company

FINANCIAL HIGHLIGHTS

	Year Ended June 30, 1972	Year Ended June 30, 1971	Increase (Decrease)
Gross income	\$ 14,475,000	\$ 12,026,000	20%
Net income before Federal income taxes	\$ 4,665,000	\$ 3,823,000	17%
Total assets	\$ 113,037,000	\$105,052,000	8%

OPERATING HIGHLIGHTS

Mortgage loan closings:			
Income producing properties	\$ 141,000,000	\$ 84,000,000	67%
Single-family residential	135,000,000	114,000,000	18%
FHA multi-family	26,000,000	82,000,000	(68)%
Total mortgage closings	<u>\$ 302,000,000</u>	<u>\$280,000,000</u>	8%
Mortgage servicing portfolio:			
Number of loans	66,628	63,877	4%
Dollar volume	\$1,021,622,000	\$910,524,000	12%
Insurance:			
Premiums	\$ 9,008,000	\$ 7,399,000	22%
Net commissions	\$ 1,878,000	\$ 1,599,000	17%
Real estate sales commissions	\$ 847,000	\$ 608,000	39%

SWD is a wholly-owned subsidiary headquartered in Jacksonville, Florida. A copy of its annual report, which is primarily prepared for institutional mortgage investors and customers, is being mailed with the General American report to all stockholders and interested parties. For this reason, only the highlights and a condensed review have been included herein.

Fiscal 1972 was the most profitable year in SWD's 88-year history, with new highs established in every segment — gross income, net income, mortgage production, mortgage servicing, insurance premiums, real estate commissions and the attainment of a "Billion Dollar" mortgage-servicing portfolio.

At Deerwood, SWD's prestigious residential community in the fastest growing area of Jacksonville, lot sales were \$950,000, a 27% increase over 1971. In April, construction began on the Deerwood Villas, a 43-unit luxury condominium project, which is scheduled for completion during fiscal 1973. Immediately adjacent to Deerwood, SWD has begun construction of Deerwood Village Shopping Center. Five minutes away, the Company is developing Baymeadows Center, an office and light industrial park, situated on 400 acres of beautiful woodland. Construction has begun on a 70,000-square foot, multi-tenant warehouse and a 30,000-square foot one-story office building.

Immediately North of Deerwood, the Company is engaged in a joint venture with NL Industries involving 2,170 acres of land to be rehabilitated and developed. The J. Turner Boulevard, bisecting this property, is scheduled for completion in September, in time for the opening of the new University of North Florida nearby. This four-lane expressway is scheduled for extension to Ponte Vedra Beach by 1975, thus enhancing the value of SWD's land holdings.

The Company's exclusive Ponte Vedra resort, with its luxurious 27-hole golf course, 11 championship tennis courts and superb beach, attracted all-time occupancy records this fiscal year.

In South Ponte Vedra Beach, the Company holds for development 10,000 acres, including 5½ miles of prime ocean front property. Strategically located, this parcel is a valuable asset in the Company's plans for future land development.

During the year, several significant changes took place in the management of SWD. In February, 1972, John A. Gilliland became President, succeeding J. J. Daniel, who became Chairman of the Executive Committee, and William F. Aberly, who became Executive Vice President and Treasurer. Brown L. Whatley continues to serve as Chairman of the Board.

Premier Petrochemical Company

Operations materially improved during the fiscal year and losses were reduced to \$1,541,000 from \$2,233,000 in 1971. Included in such losses were intercompany interest charges of \$386,000 in 1972 and \$348,000 in 1971. Depreciation charges amounted to \$1,039,000 for 1972 and \$996,000 for 1971.

After deducting storage, freight and commissions, 1972 sales totaled \$3,461,000 as compared to 1971 revenues of \$2,934,000, an increase of 18%.

Most of the major modifications to the melamine plant have been completed, and as a result, plant efficiency increased over the prior year. Both melamine production and sales rose, but weaker prices, caused by imports of foreign melamine, made an earnings improvement difficult. The urea market strengthened and urea operations showed a modest profit.

The Company anticipates continued improvement in 1973. The market for urea appears to be in a more favorable trend, and stronger demand and higher prices are forecast. Melamine production should increase, but profitability is dependent on better prices. While it is not expected that losses can be eliminated during the forthcoming year, it is expected that a positive cash-flow will be achieved.

SALES OF OIL AND CONDENSATE—BARRELS

Year Ended June 30

United States

1972

1971

OIL

Texas	5,020,000	5,237,000
Louisiana	1,214,000	1,378,000
Oklahoma	623,000	621,000
New Mexico . . .	590,000	433,000
Other States . . .	246,000	274,000
	<u>7,693,000</u>	<u>7,943,000</u>

CONDENSATE

Texas	448,000	496,000
Louisiana	983,000	1,219,000
Other States . . .	6,000	8,000
	<u>1,437,000</u>	<u>1,723,000</u>
	<u>9,130,000</u>	<u>9,666,000</u>

Canada

OIL

Saskatchewan	1,297,000	1,109,000
British Columbia . .	352,000	274,000
Alberta	61,000	47,000
	<u>1,710,000</u>	<u>1,430,000</u>
	<u>10,840,000</u>	<u>11,096,000</u>

Financial Review

REVENUES

Net income, excluding extraordinary items, increased to \$15,434,000 (\$2.60 per share) from \$8,534,000 (\$1.44 per share) in 1971. Gross operating income rose slightly to \$56,101,000 from \$55,700,000 in 1971. Crude oil, condensate and casinghead product sales were \$38,485,000, compared to \$38,408,000 in 1971. Lower volumes (down 2.3%) were offset by higher average prices as shown below:

AVERAGE PRICE PER BARREL

Fiscal Year

1972

1971

Crude — U. S.	\$3.46	\$3.36
Crude — Canada	2.28	2.17
Condensate — U. S.	3.40	3.30

Natural gas sales were \$11,472,000, down 8.4% from the \$12,528,000 reported the previous year, as production at capacity continued unabated.

Reports on the Company's unconsolidated subsidiaries, Stockton, Whatley, Davin & Company and Premier Petrochemical Company, are shown in a separate section of this report.

Inflationary trends continued, with lease operating expenses up 5.3%, taxes other than Federal income up 2.1%, administrative and general up 3.8%. Interest and other expenses declined \$199,000, partially offsetting the increased costs mentioned above.

Income before exploration charges was \$28,214,000 (\$4.75 per share), 3.3% higher than \$27,314,000 (\$4.59 per share) in 1971. Exploration charges declined 41.9% to \$9,604,000 from \$16,542,000 and was the primary reason for the higher earnings for 1972. Included in such costs were unproductive wells drilled of \$4,483,000 (\$9,288,000 in 1971) and undeveloped leases surrendered or amortized of \$3,601,000 (\$5,878,000 in 1971).

Income before Federal income taxes advanced 72.8% to \$18,610,000 from the \$10,772,000 recorded in 1971. The provision for income taxes, more fully detailed in Footnote C to the Financial Statements, increased 41% to \$3,176,000. Income before extraordinary items amounted to \$15,434,000 (\$2.60 per share), a significant improvement over 1971's \$8,534,000 (\$1.44 per share). Net income including \$384,000 (\$.06 per share) of extraordinary items was \$15,818,000 (\$2.66 per share) compared to \$12,116,000 (\$2.04 per share) in 1971.

WORKING CAPITAL

As detailed in the Statement of Changes in Financial Position, working capital increased \$10,460,000, resulting from lower capital and exploration expenditures.

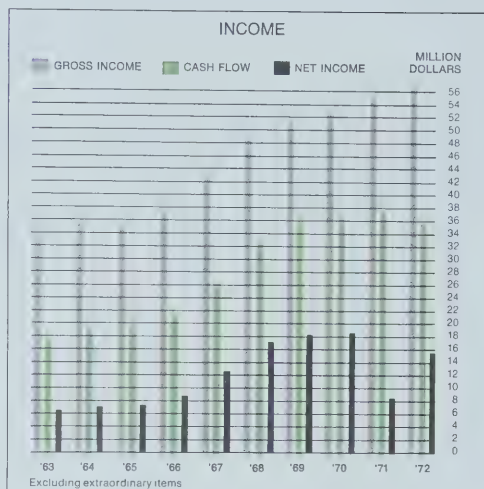
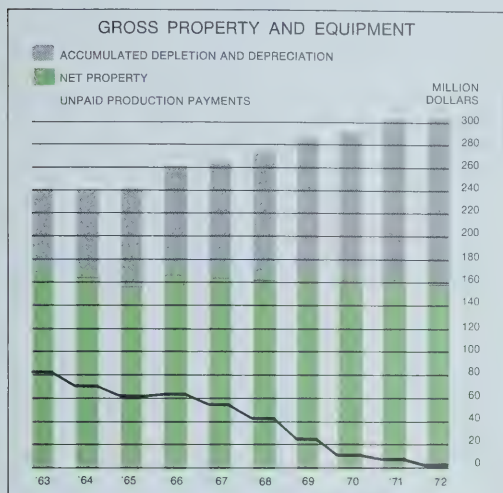
OTHER ASSETS

Included in other assets of \$14,678,000 was \$12,429,000 of accounts receivable collectible solely from production. Net profit royalty interests were treated for financial accounting as outside joint interests, and expenditures applicable thereto, less

applicable receipts, were charged into these accounts. Upon payout of the related production payments, the funds being applied thereon will revert to and quickly liquidate the net profit balances. During fiscal 1972, net collections were \$3,261,000, which had no effect on financial earnings but strengthened the cash position of the Company.

CASH FLOW

Cash Flow (net income before extraordinary items, increased by exploration charges, depletion and depreciation and decreased by deferred Federal income taxes) was \$35,779,000 (\$6.02 per share), compared to \$37,893,000 (\$6.37 per share) in 1971.



Accountants' Report

To the Shareholders and Board of Directors
General American Oil Company of Texas
Dallas, Texas

We have examined the consolidated balance sheet of General American Oil Company of Texas and its consolidated subsidiaries as of June 30, 1972 and 1971 and the related statements of consolidated income, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Stockton, Whatley, Davin & Company, an unconsolidated subsidiary, whose financial statements in summarized form are presented in Note B to the financial statements. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Stockton, Whatley, Davin & Company, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors, the aforementioned consolidated financial statements present fairly the consolidated financial position of General American Oil Company of Texas and its consolidated subsidiaries at June 30, 1972 and 1971 and the consolidated results of their operations, changes in capital and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Dallas, Texas
August 25, 1972

Ernst & Ernst



Statement of Consolidated Income

General American Oil Company of Texas
and Consolidated Subsidiaries

	Year Ended June 30, 1972	Year Ended June 30, 1971
REVENUES		
Crude oil, condensate and casinghead products (Note A)	\$ 38,485,000	\$ 38,408,000
Natural gas (Note A)	11,472,000	12,528,000
Income of Stockton, Whatley, Davin & Company (Note B)	4,665,000	3,823,000
Loss of Premier Petrochemical Company (Note B)	(1,541,000)	(2,233,000)
Interest, transportation and other income	3,020,000	3,174,000
	56,101,000	55,700,000
EXPENSES EXCLUSIVE OF EXPLORATION CHARGES		
Lease operating expenses	8,233,000	7,822,000
Taxes — other than Federal income (Note C)	3,913,000	3,833,000
Depletion and depreciation	11,908,000	12,817,000
Administrative and general expenses	3,250,000	3,132,000
Interest and other expenses	583,000	782,000
	27,887,000	28,386,000
INCOME BEFORE EXPLORATION CHARGES	28,214,000	27,314,000
EXPLORATION CHARGES (Note A)		
Unproductive wells drilled	4,483,000	9,288,000
Undeveloped leases surrendered or amortized	3,601,000	5,878,000
Lease rentals	805,000	648,000
Other exploration charges	715,000	728,000
	9,604,000	16,542,000
INCOME BEFORE FEDERAL INCOME TAXES	18,610,000	10,772,000
PROVISION FOR FEDERAL INCOME TAXES (Note C)	3,176,000	2,238,000
INCOME BEFORE EXTRAORDINARY ITEMS	15,434,000	8,534,000
EXTRAORDINARY ITEMS		
Increase in Federal Power Commission approved prices of gas sales prior to July 1, 1970 — net of \$235,000 income tax	—	3,113,000
Capital gains — net of income tax: \$306,000 — 1972; \$338,000 — 1971	384,000	469,000
NET INCOME	\$ 15,818,000	\$ 12,116,000
INCOME PER COMMON SHARE		
Income before extraordinary items	\$ 2.60	\$ 1.44
Extraordinary items	.06	.60
Net income	\$ 2.66	\$ 2.04

See notes to financial statements.



Statement of Consolidated Changes in Financial Position

General American Oil Company of Texas
and Consolidated Subsidiaries

SOURCE OF FUNDS

	Year Ended June 30, 1972	Year Ended June 30, 1971
Income before extraordinary items	\$ 15,434,000	\$ 8,534,000
Add (Deduct): Depletion and depreciation	11,908,000	12,817,000
Exploration charges	9,604,000	16,542,000
Deferred Federal income tax	(1,167,000)	—
Funds provided from operations, before extraordinary items	35,779,000	37,893,000
Extraordinary items	384,000	3,582,000
Disposals of assets	287,000	1,868,000
Net proceeds from accounts collectible solely from production	3,261,000	5,053,000
Proceeds of production loans	2,071,000	—
Other	528,000	728,000
	42,310,000	49,124,000

APPLICATION OF FUNDS

Capital and exploration expenditures:		
Drilling and related equipment costs	15,145,000	18,016,000
Gasoline plants and other facilities	877,000	370,000
Undeveloped leases and rentals	6,385,000	11,641,000
Acquisition of producing properties	—	2,347,000
Less: Acquisition production payments	—	(1,930,000)
	22,407,000	30,444,000
Liquidation of reserved production payments	2,735,000	9,378,000
Investment in and advances to unconsolidated subsidiaries	3,094,000	2,990,000
Cash dividends to stockholders	3,614,000	3,511,000
Repayment of life insurance policy loans	—	522,000
	31,850,000	46,845,000

INCREASE IN WORKING CAPITAL **\$ 10,460,000** **\$ 2,279,000**

INCREASES (DECREASES) BY MAJOR COMPONENTS:

Cash and short-term securities	\$ 10,569,000	\$ 3,011,000
Notes and accounts receivable from Stockton, Whatley, Davin & Company	—	(1,315,000)
Accounts receivable	51,000	1,102,000
Inventories, prepaid and accrued expenses	173,000	(70,000)
Accounts payable	(332,000)	1,972,000
Federal income taxes payable	(1,000)	(2,421,000)

INCREASE IN WORKING CAPITAL **\$ 10,460,000** **\$ 2,279,000**

See notes to financial statements.



Consolidated Balance Sheet

General American Oil Company of Texas
and Consolidated Subsidiaries

ASSETS

CURRENT ASSETS

	June 30, 1972	June 30, 1971
Cash and short-term securities	\$ 24,587,000	\$ 14,018,000
Accounts receivable	9,649,000	9,598,000
Inventories	954,000	640,000
Deferred and prepaid items	182,000	297,000
Total current assets	35,372,000	24,553,000

INVESTMENTS

Investment in and advances to Stockton, Whatley, Davin & Company (Note B)	20,975,000	18,310,000
Investment in and advances to Premier Petrochemical Company (Note B)	7,143,000	6,714,000
Other stocks, notes and debentures — at cost	557,000	942,000
Total investments	28,675,000	25,966,000

OTHER ASSETS

Accounts collectible solely from production	12,429,000	15,690,000
Deferred Federal income tax (Note C)	1,167,000	—
Advances to joint ventures	480,000	344,000
Cash value of life insurance	602,000	582,000
Total other assets	14,678,000	16,616,000

PROPERTY AND EQUIPMENT — at cost (Note A)

Producing oil and gas properties	277,103,000	278,106,000
Gasoline plants, pipelines and other equipment	10,746,000	10,080,000
Undeveloped leases	18,565,000	14,306,000
	306,414,000	302,492,000
Less accumulated depletion, depreciation and amortization	146,602,000	141,921,000
	159,812,000	160,571,000
Less unpaid production payments	2,630,000	5,468,000
Total property and equipment	157,182,000	155,103,000

\$235,907,000	\$222,238,000
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See notes to financial statements.

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

	June 30, 1972	June 30, 1971
Accounts payable	\$ 10,841,000	\$ 10,509,000
Accrued expenses and general taxes	525,000	499,000
Federal income taxes payable	2,773,000	2,772,000
Total current liabilities	<u>14,139,000</u>	<u>13,780,000</u>

LONG-TERM DEBT

Production loan payable	<u>1,097,000</u>	<u>—</u>
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CAPITAL

Common shares, par value \$5.00 per share:		
Authorized: 7,500,000 shares		
Issued: 1972 — 5,955,654; 1971 — 5,784,992	29,778,000	28,925,000
Capital surplus (includes transfers from earned surplus of \$79,456,000 through 1972 representing the excess of market over par value of common stock dividends)	103,833,000	99,091,000
Earned surplus (Note B)	87,346,000	80,734,000
	<u>220,957,000</u>	<u>208,750,000</u>
Less common shares in treasury at cost: 1972 — 9,912; 1971 — 10,143	286,000	292,000
Total capital	<u>220,671,000</u>	<u>208,458,000</u>

CONTINGENT LIABILITIES (Note B)

<u>\$235,907,000</u>	<u>\$222,238,000</u>
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Statement of Consolidated Capital

General American Oil Company of Texas
and Consolidated Subsidiaries

	Common Shares		Capital	Earned
	Number	Par Value	Surplus	Surplus
BALANCE JUNE 30, 1970	5,619,486	\$28,097,000	\$ 93,690,000	\$78,356,000
Net income				12,116,000
3% stock dividend:				
Shares issued January 4, 1971	165,506	828,000	5,399,000	(6,227,000)
Cash in lieu of fractional shares				(97,000)
Cash dividends (60 cents per share)				(3,414,000)
Treasury share transactions			2,000	
BALANCE JUNE 30, 1971	5,784,992	28,925,000	99,091,000	80,734,000
Net income				15,818,000
3% stock dividend:				
Shares issued January 5, 1972	170,662	853,000	4,739,000	(5,592,000)
Cash in lieu of fractional shares				(98,000)
Cash dividends (60 cents per share)				(3,516,000)
Treasury share transactions			3,000	
BALANCE JUNE 30, 1972	5,955,654	\$29,778,000	\$103,833,000	\$87,346,000

See notes to financial statements.

Notes to Financial Statements

General American Oil Company of Texas and Consolidated Subsidiaries

ACCOUNTING POLICIES AND PRACTICES

Production Payments

A major portion of the oil and gas properties has been acquired subject to production payments reserved by the sellers, payable, together with interest and production taxes, solely from the proceeds of oil and gas.

It is the policy to treat reserved production payments on producing properties as a part of the acquisition cost of the properties. Since there is no direct liability on these, the unpaid balances are shown as a deduction from the property accounts in the balance sheet. The original amounts included in the gross cost of producing oil and gas properties are \$158,227,000 at June 30, 1972 and \$164,650,000 at June 30, 1971.

Consistent with this treatment, the net proceeds of sales of oil and gas applied in liquidation of the production payments are included in revenues and expenses as follows:

	1972	1971
Crude oil and gas sales	\$3,195,000	\$9,195,000
Less:		
Taxes	208,000	671,000
Interest	252,000	641,000
	<u>460,000</u>	<u>1,312,000</u>
Net proceeds applied	<u>\$2,735,000</u>	<u>\$7,883,000</u>

Interstate sales of natural gas are included in the above net proceeds applied only to the extent of rates approved or set by the FPC, explained more fully below.

Exploration Charges and Development Costs

Intangible drilling and development costs applicable to unproductive wells are charged to expense when determined to be unproductive. Those applicable to productive wells are capitalized and depleted on a unit-of-production basis, as explained below under Depletion and Depreciation.

Acquisition costs of undeveloped leases including applicable geological and geophysical costs are capitalized. Costs for leases acquired before July 1, 1970 are written off when the properties are surrendered while costs of leases acquired after July 1, 1970, are amortized over estimated holding periods. When leases become productive, their gross costs are transferred to producing properties.

Depletion and Depreciation

Depletion of producing oil and gas leases and depreciation of related equipment is provided for on a unit-of-production basis. A composite grouping is used for this computation except for major acquisitions after June 30, 1959, which are separately grouped. Depreciation of other depreciable property is provided on a straight-line basis over the estimated useful lives of the properties.

Natural Gas Sales Subject to Possible FPC Refund

Interstate sales of natural gas are included in the Statement of Consolidated Income only to the extent of rates approved or set by the Federal Power Commission in its various orders. On July 16, 1971, the Federal Power Commission issued its latest area rate order in the South Louisiana Area Rate Proceeding affecting the Company's major area of gas sales. This order increased the prices for both current and past sales over those permitted in its earlier September, 1968 Order. Therefore, natural gas sales for the current and the past year reflect the prices under the new order while increases applicable to sales prior to July 1, 1970 are shown as an extraordinary item in 1971. Contract

Notes to Financial Statements

General American Oil Company of Texas and Consolidated Subsidiaries

amounts collected in excess of the most recent FPC approved rates, including interest, approximated \$2,800,000 at June 30, 1972, and \$2,650,000 at June 30, 1971. Such amounts are included in "Accounts payable" and "Unpaid production payments" in the Consolidated Balance Sheet.

The July 16, 1971 South Louisiana FPC Order also provides for reduction in the refund obligations if new gas reserves are committed to the interstate market after August 1, 1971 and prior to October 1, 1977.

Income Per Common Share

These computations are based on the average number of shares outstanding during each year, adjusted for stock dividends.

B — INVESTMENTS

Investments in its wholly-owned subsidiaries, Stockton, Whatley, Davin & Company (SWD) and Premier Petrochemical Company (Premier), are carried at equity (net assets) plus long-term loans from the Company. A consolidated Federal income tax return is filed and no tax is allocated to these subsidiaries. Information taken from their financial statements as of June 30, 1972 and 1971 and for the years then ended, is summarized as follows:

	1972	1971
Stockton, Whatley, Davin & Company		
Current assets	\$ 98,062,000	\$ 91,117,000
Investments and other assets	6,330,000	6,163,000
Property and equipment	8,645,000	7,772,000
	<u>113,037,000</u>	<u>105,052,000</u>
Current liabilities	85,327,000	79,810,000
Long-term debt	9,235,000(1)	9,432,000(1)
Paid-in capital	4,975,000	4,975,000
Earned surplus	13,500,000	10,835,000
	<u>\$113,037,000</u>	<u>\$105,052,000</u>
(1) Includes amounts due to parent company of	\$ 2,500,000	\$ 2,500,000
Income	\$ 14,281,000	\$ 12,026,000
Expenses	9,616,000	8,203,000
Net income	4,665,000	3,823,000
Earned surplus, beginning of year	10,835,000	7,662,000
Dividends paid	(2,000,000)	(650,000)
Earned surplus, end of year	<u>\$ 13,500,000</u>	<u>\$ 10,835,000</u>

In connection with land acquisitions by SWD, the Company has guaranteed the payment of \$4,100,000 of notes payable to the sellers. In addition, the Company has guaranteed the payment of \$1,900,000 to the other venturer in a SWD joint land development venture.

	1972	1971
Premier Petrochemical Company		
Current assets	\$ 1,510,000	\$ 968,000
Property and equipment	8,607,000	9,472,000
	<u>10,117,000</u>	<u>10,440,000</u>
Current liabilities	1,043,000	1,251,000
Long-term debt	9,951,000(1)	8,525,000(1)
Paid-in capital	2,423,000	2,423,000
Accumulated deficit	(3,300,000)	(1,759,000)
	<u>\$ 10,117,000</u>	<u>\$ 10,440,000</u>
(1) Includes amounts due to parent company of	\$ 8,020,000	\$ 6,050,000
Income	\$ 3,461,000	\$ 2,935,000
Expenses	5,002,000	5,168,000
Net loss	(1,541,000)	(2,233,000)
Earned surplus (deficit) beginning of year	(1,759,000)	474,000
Accumulated deficit, end of year ..	<u>\$ (3,300,000)</u>	<u>\$ (1,759,000)</u>

The Company has guaranteed a \$1,800,000 long-term loan of Premier in connection with the financing of the construction of a melamine plant.

C — TAXES

There are differences between taxable income and financial statement income. Federal income tax expense in the financial statement has been adjusted for timing differences (deferred taxes) in accounting for undeveloped leases, accelerated depreciation and similar items. No provision has been made for accounting differences with respect to intangible drilling costs, certain acquisition production payments and percentage depletion due to their permanent nature. The investment tax credit is accounted for using the "flow-through" method. Taxes are summarized as follows:

	1972	1971
Provision for Federal income tax:		
Current (net of investment tax credits: 1972 \$842,000; 1971 \$210,000)	\$ 4,079,000	\$ 2,502,000
Deferred	(903,000)	(264,000)
	<u>\$ 3,176,000</u>	<u>\$ 2,238,000</u>
Taxes, other than Federal income:		
Gross production taxes	\$ 2,541,000	\$ 2,696,000
Ad valorem taxes	904,000	901,000
Franchise, state income and other taxes	468,000	236,000
Total taxes, other than Federal income	<u>\$ 3,913,000</u>	<u>\$ 3,833,000</u>

D — RETIREMENT BENEFITS

Substantially all employees are covered by pension and/or profit sharing plans.

The Company has noncontributory retirement plans, adopted by most of its subsidiaries, for which the normal costs are funded each year. The actuarially computed value of accrued benefits, both vested and nonvested, are fully funded. Company contributions to these plans were \$555,000 for 1972 and \$450,000 for 1971.

Stockton, Whatley, Davin & Company, a wholly-owned subsidiary, has a profit sharing plan which provides for benefits payable upon retirement or earlier termination of employment. The contributions of SWD to this plan were \$533,000 for 1972 and \$425,000 for 1971.



Ten-Year Summary

General American Oil Company of Texas
and Consolidated Subsidiaries

FINANCIAL POSITION — at June 30,

	1972	1971	1970
Current assets	\$ 35,372,000	\$ 24,553,000	\$ 21,722,000
Current liabilities	14,139,000	13,780,000	13,228,000
Working capital	21,233,000	10,773,000	8,494,000
Investments and other assets	43,353,000	42,582,000	44,435,000
Property and equipment	306,414,000	302,492,000	291,816,000
Less — accumulated depletion, depreciation and amortization	146,602,000	141,921,000	132,005,000
Less — unpaid production payments	2,630,000	5,468,000	12,903,000
Property and equipment — net	157,182,000	155,103,000	146,908,000
	221,768,000	208,458,000	199,837,000
Less:			
Long-term debt	1,097,000	—	—
Deferred income	—	—	—
Common stockholders' equity	\$220,671,000	\$208,458,000	\$199,837,000
Common stockholders of record at year-end	6,556	6,882	6,638
Common shares outstanding at year-end	5,955,654	5,774,849	5,608,916
Adjusted average number of shares outstanding (2)	5,945,656	5,945,294	5,953,518

INCOME STATEMENT — year ended June 30,

Revenues	\$ 56,101,000	\$ 55,700,000	\$ 52,612,000
Lease operating expenses	8,233,000	7,822,000	7,151,000
Taxes — other than Federal income	3,913,000	3,833,000	3,629,000
Depletion and depreciation	11,908,000	12,817,000	13,288,000
Administrative and general	3,250,000	3,132,000	2,803,000
Interest and other expense	583,000	782,000	1,908,000
Income before exploration charges	28,214,000	27,314,000	23,833,000
Exploration charges	9,604,000	16,542,000	4,181,000
Income before Federal income taxes	18,610,000	10,772,000	19,652,000
Provision for Federal income taxes	3,176,000	2,238,000	867,000
Income before extraordinary items	15,434,000	8,534,000	18,785,000
Extraordinary items after taxes	384,000	3,582,000	—
Net income	\$ 15,818,000	\$ 12,116,000	\$ 18,785,000
Net income per common share (2)	\$ 2.66	\$ 2.04	\$ 3.16
Cash flow (3)	\$ 35,779,000	\$ 37,893,000	\$ 36,254,000
Cash flow per common share (2) (3)	\$ 6.02	\$ 6.37	\$ 6.09

COMMON DIVIDENDS — year ended June 30,

Cash	\$ 3,614,000	\$ 3,511,000	\$ 3,417,000
Stock (in number of shares)	170,662	165,506	161,259
Cash — per share	\$.60	\$.60	\$.60
Stock — per share	3%	3%	3%

OPERATING STATISTICS — OIL & GAS OPERATIONS

Texas proration — % of schedule allowable	76.50	78.71	60.38
Net crude oil sales — barrels	10,840,000	11,096,000	11,051,000
Net crude oil sales (daily average)	30,000	30,000	30,000
Net gas sales — MCF	56,908,000	66,675,000	71,795,000
Average price per barrel	\$ 3.27	\$ 3.20	\$ 3.00
Wells operated — gross	1,617	1,682	1,724
Wells owned — net	1,699	1,745	1,801
Annual payroll	\$ 3,987,000	\$ 3,760,000	\$ 3,532,000
Employees — average	410	402	401

(1) Restated for "pooling of interests" with Premier Petrochemical Company.

(2) Based on average number of shares outstanding, after adjusting for stock issued as dividends in the current year and retroactively for past years.

(3) Net income before extraordinary items, increased by exploration charges, depletion and depreciation and decreased by deferred Federal income taxes.

1969	1968	1967 (1)	1966	1965	1964	1963
\$ 20,693,000	\$ 25,456,000	\$ 14,565,000	\$ 11,709,000	\$ 10,978,000	\$ 11,797,000	\$ 9,672,000
10,606,000	9,452,000	7,368,000	6,950,000	6,060,000	6,085,000	6,703,000
10,087,000	16,004,000	7,197,000	4,759,000	4,918,000	5,712,000	2,969,000
42,745,000	37,053,000	33,467,000	30,860,000	29,298,000	27,008,000	25,172,000
285,767,000	276,911,000	266,970,000	262,524,000	242,520,000	241,086,000	241,709,000
122,179,000	112,942,000	102,177,000	94,134,000	83,747,000	75,894,000	69,931,000
26,732,000	43,685,000	56,543,000	64,511,000	62,772,000	71,574,000	82,666,000
136,856,000	120,284,000	108,250,000	103,879,000	96,001,000	93,618,000	89,112,000
189,688,000	173,341,000	148,914,000	139,498,000	130,217,000	126,338,000	117,253,000
—	—	20,000,000	20,427,000	20,000,000	20,000,000	20,000,000
4,951,000	6,295,000	1,369,000	2,077,000	106,000	2,972,000	71,000
\$184,737,000	\$167,046,000	\$127,545,000	\$116,994,000	\$110,111,000	\$103,366,000	\$ 97,182,000
6,129	5,885	5,451	5,371	5,603	5,833	5,711
5,457,595	5,263,944	4,532,000	4,400,000	4,275,600	4,069,800	3,960,500
5,935,782	5,919,290	5,919,290	5,919,800	5,913,520	5,899,010	5,923,256
\$ 51,516,000	\$ 48,225,000	\$ 42,426,000	\$ 37,416,000	\$ 35,151,000	\$ 35,347,000	\$ 33,918,000
6,535,000	6,326,000	6,047,000	5,753,000	5,619,000	5,785,000	5,871,000
3,580,000	3,487,000	3,167,000	2,879,000	2,662,000	2,618,000	3,047,000
14,201,000	13,098,000	11,943,000	10,764,000	9,904,000	10,292,000	9,339,000
2,479,000	2,247,000	1,938,000	1,826,000	1,760,000	1,723,000	1,587,000
2,851,000	3,767,000	4,932,000	5,386,000	5,232,000	5,760,000	6,146,000
21,870,000	19,300,000	14,399,000	10,808,000	9,974,000	9,169,000	7,928,000
3,568,000	2,175,000	1,569,000	2,079,000	2,203,000	1,873,000	1,695,000
18,302,000	17,125,000	12,830,000	8,729,000	7,771,000	7,296,000	6,233,000
—	—	—	—	—	—	(499,000)
18,302,000	17,125,000	12,830,000	8,729,000	7,771,000	7,296,000	6,732,000
644,000	6,197,000	—	—	164,000	662,000	736,000
\$ 18,946,000	\$ 23,322,000	\$ 12,830,000	\$ 8,729,000	\$ 7,935,000	\$ 7,958,000	\$ 7,468,000
\$ 3.19	\$ 3.94	\$ 2.17	\$ 1.47	\$ 1.34	\$ 1.35	\$ 1.26
\$ 36,071,000	\$ 32,398,000	\$ 26,342,000	\$ 21,572,000	\$ 19,878,000	\$ 19,461,000	\$ 17,766,000
\$ 6.08	\$ 5.47	\$ 4.45	\$ 3.64	\$ 3.36	\$ 3.30	\$ 3.00
\$ 3,216,000	\$ 2,762,000	\$ 1,786,000	\$ 1,734,000	\$ 1,673,000	\$ 1,772,000	\$ 1,759,000
157,919	145,863	132,000	128,172	205,768	109,365	175,582
\$.60	\$.55	\$.40	\$.40	\$.40	\$.40	\$.40
3%	3%	3%	3%	5%	3%	5%
46.31	46.31	34.84	31.32	28.21	28.29	26.93
10,768,000	10,499,000	9,299,000	8,734,000	8,142,000	8,802,000	8,769,000
30,000	29,000	25,000	24,000	22,000	24,000	24,000
75,044,000	65,933,000	60,718,000	51,846,000	48,521,000	43,601,000	37,770,000
\$ 2.91	\$ 2.86	\$ 2.83	\$ 2.82	\$ 2.81	\$ 2.79	\$ 2.80
1,809	1,862	1,927	2,028	2,080	2,250	2,425
1,783	1,815	1,861	1,950	1,956	2,061	2,235
\$ 3,319,000	\$ 3,139,000	\$ 3,057,000	\$ 2,960,000	\$ 2,883,000	\$ 2,888,000	\$ 2,875,000
400	403	417	420	422	435	447

Agents

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